

103^D CONGRESS
1ST SESSION

H. R. 2124

To amend the Internal Revenue Code of 1986 to limit the tax rate for certain small businesses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 13, 1993

Mr. KNOLLENBERG introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to limit the tax rate for certain small businesses, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. MAXIMUM SMALL BUSINESS TAX RATE.**

4 (a) IN GENERAL.—Section 1 of the Internal Revenue
5 Code of 1986 (relating to tax imposed) is amended by add-
6 ing at the end the following new subsection:

7 “(i) MAXIMUM SMALL BUSINESS TAX RATE.—

8 “(1) IN GENERAL.—If a taxpayer has taxable
9 small business income for any taxable year to which

1 this subsection applies, then the tax imposed by this
2 section shall not exceed the sum of—

3 “(A) a tax computed at the rates and in
4 the same manner as if this subsection had not
5 been enacted on the greater of—

6 “(i) taxable income reduced by the
7 amount of taxable small business income,
8 or

9 “(ii) the amount of taxable income
10 taxed at a rate below 31 percent, plus

11 “(B) a tax of 31 percent of the amount of
12 taxable income in excess of the amount deter-
13 mined under paragraph (1).

14 “(2) TAXABLE SMALL BUSINESS INCOME.—For
15 purposes of this subsection, the term ‘taxable small
16 business income’ means the taxable income of the
17 taxpayer for any taxable year attributable to the ac-
18 tive conduct of any trade or business of an eligible
19 small business in which the taxpayer materially par-
20 ticipates (within the meaning of section 469(h)
21 (other than paragraph (4)).

22 “(3) ELIGIBLE SMALL BUSINESS.—For pur-
23 poses of paragraph (2)—

24 “(A) IN GENERAL.—The term ‘eligible
25 small business’ means for any taxable year an

1 individual, partnership, S corporation, or other
2 pass-through entity the average annual gross
3 receipts of which do not exceed \$5,000,000 for
4 the 3-taxable-year period ending with the pre-
5 ceding taxable year.

6 “(B) APPLICABLE RULES.—

7 “(i) AGGREGATION RULES.—All per-
8 sons treated as a single employer under
9 subsection (a) or (b) of section 52 shall be
10 treated as 1 person for purposes of sub-
11 paragraph (A).

12 “(ii) SPECIAL RULES.—The rules of
13 subsections (c)(3) and (d)(8) of section
14 448 shall apply for purposes of subpara-
15 graph (A).

16 “(4) YEARS TO WHICH SUBSECTION APPLIES.—

17 This subsection shall apply to any taxable year if the
18 highest rate of tax set forth in subsection (a), (b),
19 (c), (d), or (e) (whichever applies) for the taxable
20 year exceeds 31 percent.”

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to taxable years beginning after
23 December 31, 1992.

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